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THE CHIEF EXECUTIVE
BACKGROUND AND ATTITUDE PROFILES

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ARTHUR YOUNG
EXECUTIVE RESOURCE CONSULTANTS
A service organization of Arthur Young & Company

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AY/ERC

Founded in 1894, Arthur Young & Company has a long tradition of service to top management. *Arthur Young Executive Resource Consultants* is organized to advise and assist in the recruitment and selection of corporate directors, chief executives, and other senior officers.

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FOREWORD

This report describes the backgrounds and attitudes of chief executives in major enterprises. Related studies of the chief financial officer, the principal international operations executive, the chief legal officer, and other senior executives are planned by AY/ERC. As used in this study, "chief executive" and "CEO" refer to the chief executive officers of the 500 largest industrial companies, plus the 300 men who direct the 50 largest banking, utility, life insurance, retailing, transportation, and diversified financial companies—a total of 800 top business leaders.

The time and effort of hundreds of the world's busiest people, who provided detailed and sometimes highly personal information, are deeply appreciated. Many Arthur Young people contributed advice and assistance to the project. Those most closely involved were:

Robert G. Cox, managing director of AY/ERC in the New York Metropolitan Region, who served as project director.

The New York audit staff, which provided meticulous compilation and checking of biographical data.

Patricia R. Nevins, AY/ERC research coordinator, who contributed essential analytic and editorial work from the perspective of the social scientist.

Barbara F. Lesher, research consultant in Arthur Young organization and compensation, who directed the research and prepared the technical draft, both indispensable to the success of the project.

Edwin S. Mruk, managing director of AY/ERC, who inspired and encouraged the study.

"The study of leadership in general will be advanced by looking at leaders in particular."

James MacGregor Burns in
Leadership

INTRODUCTION: SCOPE, PURPOSE, AND METHOD

Many executive recruiting authorities believe the next few years will bring an unprecedented emphasis on creative planning for the acquisition and use of executive leadership. In fact, the 1980s may be distinguished from earlier periods by innovative, concerted efforts to meet the leadership challenge.

That is the context of this study.

In meeting the leadership challenge, we must answer some important questions. How do we define and identify executive ability? How can we educate and condition new leaders more quickly, more effectively? How should we evaluate their contributions? What are the incentives that motivate them best and longest? How can executive resources be allocated and redistributed among enterprises to improve their utilization? How can we encourage a more creative relationship between leaders and followers in business enterprises?[1] Before we can decide where we are going with these issues, we must know where we are now.

This study was designed as a contribution to the assessment of present leadership resources in America through providing a basic inventory of backgrounds and attitudes among the chief executives of large enterprises.

The project had two major components:

First, the business histories of chief executives in the 800 largest enterprises, as defined in the Foreword, were ana-

lyzed. Detailed biographical data on 96 percent of them was drawn from the AY/ERC research talent bank.

Second, AY/ERC wrote to an 86-percent sample of the 800 to request biographical information not available in our talent bank and to solicit their personal views on major management issues. We received a 37-percent response. A copy of the questionnaire used appears on pages 30 and 31. The distribution of responses among industries is shown on the accompanying chart.

The 37-percent response, combined with the analysis of biographical information on 96 percent of the 800 CEOs, comprise the most detailed and comprehensive description, available thus far, of the pinnacle of America's corporate pyramid.

In addition, compensation data and comparisons were provided by the Arthur Young organization and compensation consulting staff.

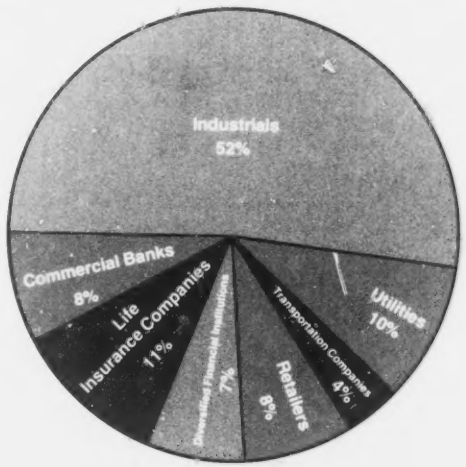
Besides the usual questions of birth, community background, education, career path, and compensation, this study probed into more sensitive areas of marital status, religion, politics, successors, and alternative careers. It also provides answers to such questions as: How do you spend your time? Where would you allocate more time, if you had it? Where do you think the best MBAs come from? How do they compare with other employees in the contributions they make to your company?

The data generated for this study was compared with the findings of two earlier landmark surveys—the first, by Mabel Newcomer, published in 1955, and the second, by Charles Burck, in 1976.[2] Although Mabel Newcomer's work is based on an executive population that is not entirely consistent with this study, and Burck's survey of opinions is less comprehensive, taken together the three studies provide a unique current and retrospective view of the CEO in major American companies.

The Newcomer and Burck studies had pointed the way to some of the answers in this study, even though there had been about 30 percent turnover in CEO ranks since the Burck article. It could be safely predicted that nearly all the chief executives are male, that they are predominantly Protestant and Republican, and that the largest group is from the Midwest. Less anticipated were results regarding average age, lack of succession plans, and the fact that so many would consider accepting a high government post or a job in academia. The level of CEO skepticism about the value of MBAs will probably surprise many readers.

In these times of concern about our leadership capability, and determination to use our resources to their best advantage, this report should be helpful both to corporate decision-makers and students of organizational behavior. The reader's reactions and suggestions for future investigation will be welcomed by AY/ERC.

DISTRIBUTION OF ATTITUDE SURVEY PARTICIPANTS

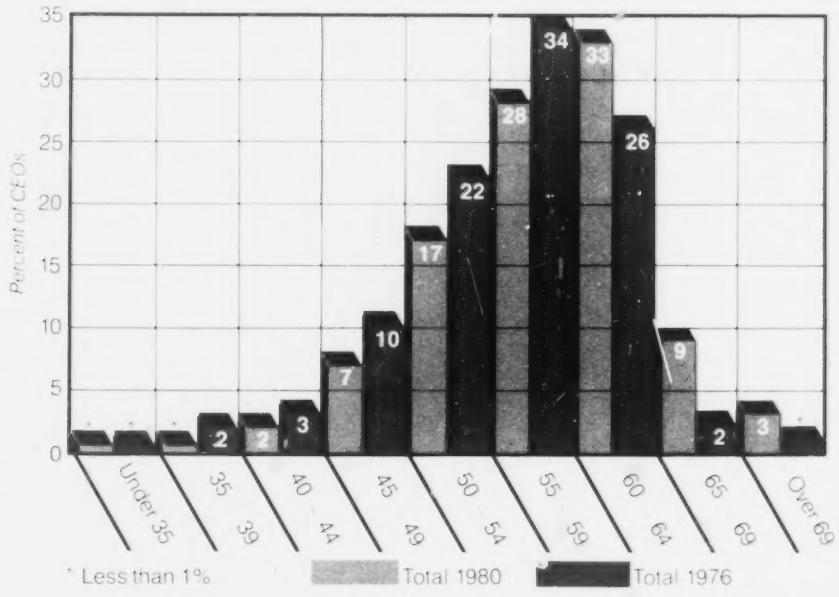


FINDINGS

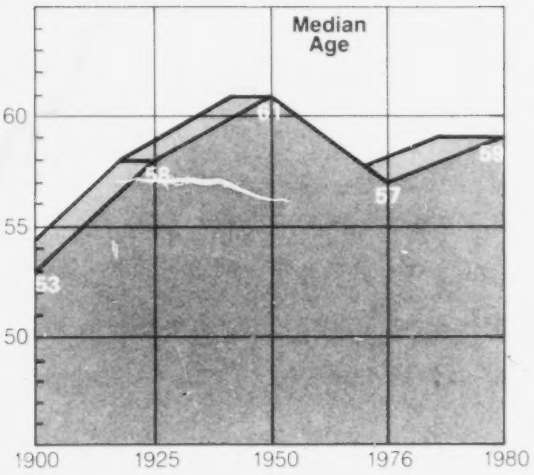
The typical chief executive is 59 years old.

As a group, chief executives of major U.S. enterprises have grown older since 1976, reversing a 50-year trend. Composite information from three major studies shows a median age of 61 in 1950, declining to 57 in 1976,[3] and going back up to 59 in 1980. Currently, 11 percent of chief executives are under age 50, while 12 percent are over 65. The accompanying charts show age distribution and trends in more detail.

AGE DISTRIBUTION 1976-1980



MEDIAN AGES 1900-1980



"The ratio of 799 male chief executives to one woman must change to respond to the changing value systems now forming the American work character. . . . Women executives can help bring a new dimension to current critical efforts to make the organization more habitable for tomorrow's workers."

Martha McKay
Management Consultant and
Adjunct Professor
Graduate School of Business
Duke University

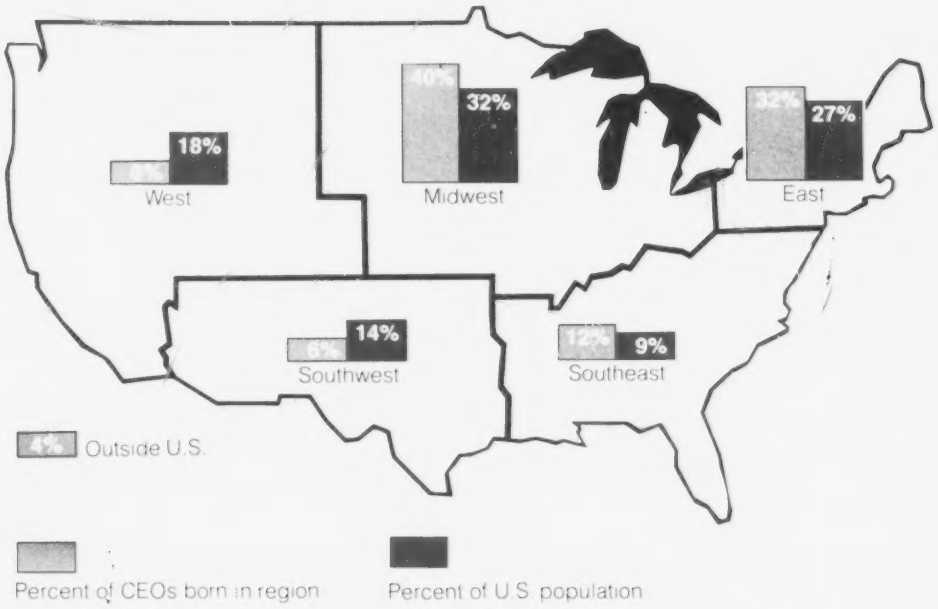
One chief executive out of the 800 is a woman.

Despite the increasing frequency and prominence of women in executive positions, Katharine Graham, chairman of The Washington Post Co., was the only woman chief executive in the 800 largest enterprises when our study was completed. In 1976, Burck also found her to be the only woman in the group.

Almost all are presently married.

The marital status of chief executives is not always available from public sources. This is an item of biographical information that was supplied by the supplemental questionnaire submitted by over 30 percent of the CEO group. Fewer than 3 percent are currently divorced or separated, none single or widowed at present, and the rest married. By contrast, almost 20 percent of American males between 45 and 70 are unmarried. There is no comparative information available on the marital status of CEOs in previous years.

GEOGRAPHIC ORIGINS COMPARED TO TOTAL POPULATION*



*During 1930, a year when most of the chief executives were growing up.

More than 40 percent were born in the Midwest and over a third grew up in towns of less than 50,000.

The Midwest has long been known as the breeding ground of chief executives.[4] Towns under 50,000 in population have also produced this kind of leadership in large quantities: some 57 percent of CEOs grew up in those towns, in suburbs, or on farms.

When the East is added to the Midwest, the two regions include almost three-quarters of CEO birthplaces, with New York leading all other states, followed by Illinois, Ohio, and Pennsylvania.[5] By comparison, the East and Midwest accounted for 59 percent of the U.S. population in 1930, when most of the chief executives were growing up.

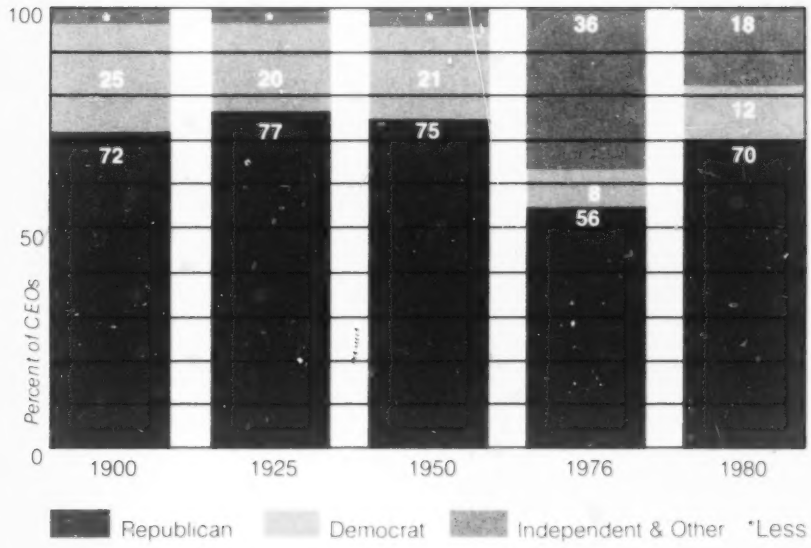
COMMUNITY SIZE DURING FORMATIVE YEARS

Metropolis – over 1 million	16%
City – 50,000 to 1 million	27%
Small Town – under 50,000	35%
Suburb	10%
Farm or Rural Community	12%

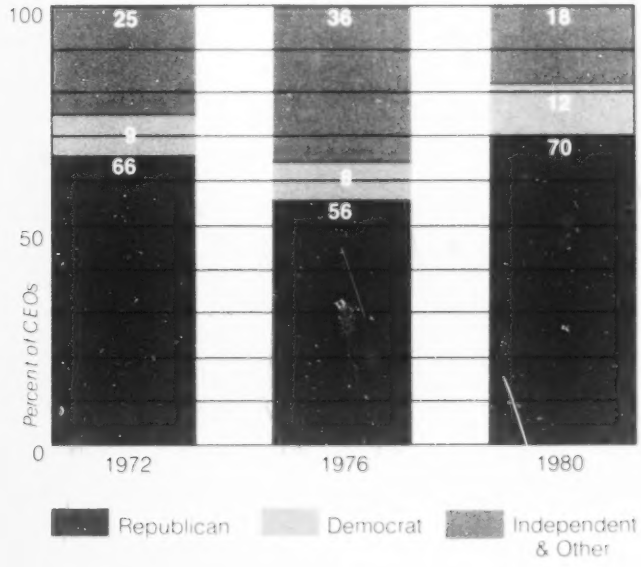
"I have never been able to really understand why so many CEOs come from small towns in the Midwest, since so many headquarters are in Eastern cities. Perhaps it's some kind of a work ethic. At least it tends to negate the impression that small towns are too easy-going."

George W. Mead, II
Chairman
Consolidated Papers, Inc.

PARTY PREFERENCES 1900-1980



NATIONAL ELECTION-YEAR PARTY PREFERENCES



Three-quarters are Protestant and 14 percent are Catholic.

Religious preferences of chief executives show little change since 1976, even though CEO turnover has been about 30 percent. We found the same proportion of Catholics (14 percent) and Jews (6 percent) and a slightly larger percentage of Protestants (74 percent versus 70 percent) compared to Burck's study. In 1976, members of some religious groups held top corporate offices in greater numbers than others compared to their representation in the total population. Episcopalians, Unitarians, Presbyterians, and Congregationalists were on the high end of the scale, with Methodists and Jews also represented heavily. Catholics and Baptists held fewer CEO positions than their percentage of the population. The percentage of Episcopalians had declined between 1950 and 1976 from almost one-third (more than 10 times their representation in society) to little more than one-fifth. Catholics, Jews, and Lutherans, meanwhile, had made substantial advances into CEO ranks.[6]

"I believe in America because in it we are free– free to choose our government, to speak our minds, to observe our different religions."

Wendell Willkie

There are almost six Republicans to one Democrat among the chief executives, but 18 percent are independents.

Unlike religion, political identity among CEOs shows major changes in the past four years. Perhaps due partly to Watergate, Republican loyalists declined to 56 percent in 1976 (from a high of 75 percent in 1950), but bounced back to almost 70 percent in 1980. Democrats experienced a similar pattern, shrinking from 21 percent in 1950 to 8 percent in 1976, and rising again to more than 12 percent in 1980. Independents, conversely, increased from 4 percent in 1950 to 36 percent in 1976, but are now down to 18 percent.[7]

While chief executives show decided political preferences, Burck found that only 6 percent had ever held elected office, usually at the local level. About 16 percent had served in appointive government positions up to the Federal Cabinet level.

"Top business leaders since Alexander Hamilton have been–and still are– involved with politics. More than ever before, they are in and out of the White House, in and out of key Cabinet offices, and in and out of Congress."

David G. Moore in *Politics and the Corporate Chief Executive*

Almost one-quarter of the chief executives graduated from Harvard, Yale, Princeton, or Columbia.

Chief executives come from widely diverse backgrounds, but predominantly and increasingly they are from the middle class,[8] and largely from the Midwest. Yet more than 60 percent hold degrees from a private college or university. Over 23 percent graduated from one of four universities located in Northeast industrial states.* More than 40 percent of the CEOs graduated from the 13 institutions on the accompanying chart. Universities that produced the most chief executives in earlier samples were: 1900—Harvard, Yale, Columbia; 1925—Columbia, M.I.T., Harvard; 1950—Harvard, Yale, Princeton.[9]

We found a substantial correlation between the date an institution was established and its contribution to the CEO ranks. Six of the strongest contributors were Ivy League schools founded in the colonial era. None of the top 13 was founded after 1885.[10]

Some 36 percent of CEOs graduated from state colleges and universities.

The Harvard MBA is the single most popular degree. At the undergraduate level, it is the Yale bachelor's degree.

*Percentages do not correspond to the accompanying table because some CEOs hold multiple degrees from the same institution.

MAJOR ALUMNI INSTITUTIONS

	Year Founded	Total	Industrial	Nonindustrial
HARVARD	1636	13.9%	16.5%	9.7%
YALE	1701	7.2	8.6	5.2
PRINCETON	1746	3.6	3.8	3.4
COLUMBIA	1754	3.5	3.3	3.8
MICHIGAN	1817	3.1	3.1	3.1
NORTHWESTERN	1851	3.1	3.1	3.1
STANFORD	1885	2.9	3.1	2.4
PENNSYLVANIA	1740	2.6	2.1	3.4
DARTMOUTH	1769	2.5	2.3	2.8
M.I.T.	1859	2.3	3.5	0.3
NEW YORK UNIVERSITY	1831	2.2	2.7	1.4
ILLINOIS	1867	2.2	1.9	2.8
TEXAS	1881	2.0	1.9	2.1
		51.1	55.9	43.5

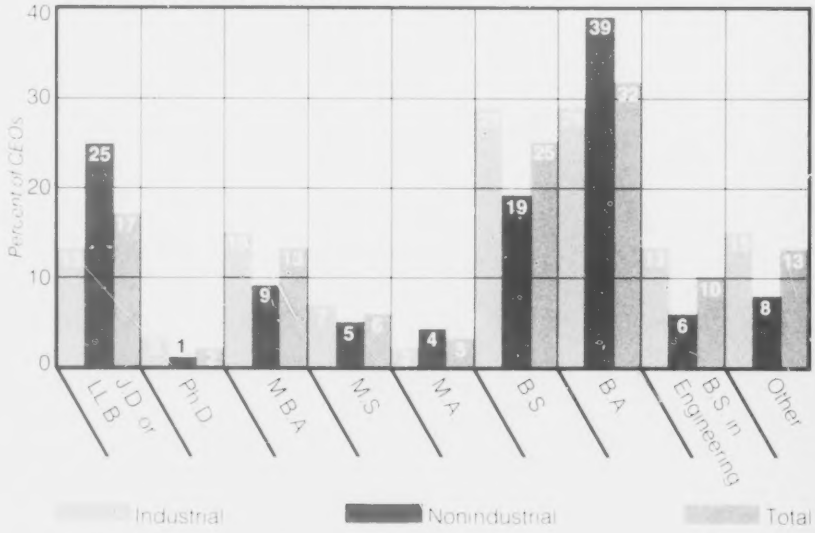
Some 19 percent of the chief executives have not graduated from college, but about 41 percent have advanced degrees.

Among chief executives, legal education remains more prevalent than graduate business education. Over 17 percent of them hold law degrees, and among the nonindustrial enterprises one-quarter of the CEOs have an LL.B. or a J.D. degree. Some 13 percent of the total have an MBA; over 15 percent of industrial CEOs hold an MBA.

Many of the 19 percent who have not graduated from college have had some college education. Burck found only 14 percent who were not college graduates, but his educational data was based on a sample survey rather than comprehensive analyses of biographical data. Presumably, a larger proportion of college graduates were willing to submit answers to the questionnaire.

In 1950, 17 percent of Newcomer's sample were trained in the law, and less than 2 percent had attended the Harvard Business School, the only graduate school of business in which any appreciable number had been trained."

ACADEMIC DEGREES*



*Some CEOs have multiple degrees.

"Due to the increasing complexities involved in providing accurately focused long-range strategic direction for corporate management, future studies of this type may identify an even larger percentage of top officers with graduate-level credentials."

Thomas H. O'Leary
President
Missouri Pacific Corporation

DEGREES FROM SPECIFIC INSTITUTIONS

	Total	Industrial	Nonindustrial
M.B.A. HARVARD	7.2%	8.9%	2.8%
B.S.-B.A. YALE	4.9	5.6	3.8
J.D. HARVARD	3.1	2.9	3.5
B.S.-B.A. PRINCETON	2.9	2.7	3.1
B.S.-B.A. HARVARD	2.7	2.7	2.7
B.S.-B.A. DARTMOUTH	1.7	1.7	1.7
J.D. COLUMBIA	1.6	1.9	1.0
J.D. YALE	1.3	1.3	1.3
	25.4	28.6	19.9

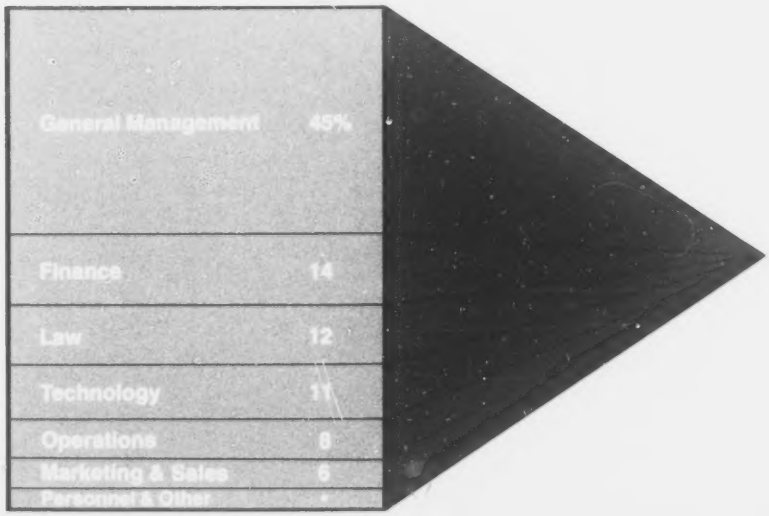
General management, finance, law, and technology are the most frequent paths to the top.

In the 800 companies, the most promising path to the top corporate office is through general management. The business biographies of nearly half of the chief executives reveal the definite orientation of a general manager. Other frequent areas of specialization include finance (14 percent), law (12 percent), and technology (11 percent).

While the 1976 study is not entirely comparable as to career paths, some recent shifts are evident from contrasting the two sets of information. At that time, executives with backgrounds in engineering, design, research and development, production, and operations had declined among CEOs from one-third to a little more than one-quarter. That group would be about 20 percent today. Meanwhile, financial managers and lawyers directed about 40 percent of the top 800 companies, as compared to 26 percent today.[12] A part of the difference may be due to an increasing tendency for CEOs with early legal and financial experience to be viewed as having advanced through the general management route.

In 1980, industrial and nonindustrial companies show substantial variation in their preferences for chief executives with certain specialties. A technical background is common to 14 percent of industrial CEOs but only 4 percent of nonindustrial CEOs. Specialization in marketing and sales is more likely among industrial executives than their nonindustrial counterparts—8 percent versus 2 percent. However, backgrounds in two functional areas, finance and personnel, are to be found equally in chief executives leading industrial and service organizations.

CAREER PATHS



*Less than 5%

Most of the chief executives in the industrial sector have been with their companies at least 26 years.

Chief executives in all 800 companies have been with their organizations for an average of 24 years. In industrial corporations, service with the present employer is slightly higher than in nonindustrial enterprises. Among nonindustrial companies, 11 percent of CEOs have been with their current employers a total of five years or less. Only 6 percent of industrial CEOs have spent such a short time with their present corporations. In fact, 51 percent of chief executives in the leading 500 industrial companies have been with the same employers for 26 years or longer. Only 40 percent of nonindustrial chief executives report such continuity of service.

In the first half of this century, the median length of employment before an executive reached a top position increased as the U.S. corporate system matured: in 1925, 7.5 years; in 1950, 16 years.[13]

YEARS WITH PRESENT COMPANY

	Total	Industrial	Nonindustrial
5 or less	8%		11%
6–10	11		13
11–15	11		11
16–20	12		12
21–25	11		13
26–30	13		12
31–35	16		12
36–40	10		10
41 or more	8		6
Median	24		

Over 35 percent of the chief executives have had only one employer.

Chief executives of industrial companies are more likely than their counterparts in other sectors to have had only one employer throughout their business careers. In 39 percent of the industrials, the chief executive has not worked for other employers. Among service organizations, the incidence declines to 31 percent. Frequent switching of employers has been the path to the chief executive office in relatively few of the biographies studied. Ten percent of the chief executives included in this analysis have had five or more employers.

In 1976, Burck found that almost two-thirds of CEOs had changed employers no more than once.

NUMBER OF EMPLOYERS

	Total	Industrial	Nonindustrial
1	36%		31%
2	23		23
3	20		22
4	11		13
5	6		6
6 or more	4		5

Two-thirds of the chief executives have held between four and seven executive titles during their careers. Three-quarters are now designated "chairman."

Although chief executives tend not to have had many employers, most have climbed multiple steps to reach the top of the corporate ladder. The typical number of executive titles held during a CEO's career was found to be between five and six; 66 percent have had between four and seven executive titles during their careers.

NUMBER OF EXECUTIVE TITLES HELD

	Total	Industrial	Nonindustrial
1	1%	1%	*
2	4	5	4
3	12	10	16
4	17	16	20
5	20	17	26
6	16	15	17
7	13	12	12
8	7	9	2
9	4	6	1
10 or more	6	9	2

* Less than 1%

Most of the chief executives have been in their jobs at least seven years. Yet about a quarter of them have been in office three years or less.

The median tenure of the 800 CEOs is seven years. However, over 17 percent of present chief executives have been in office two years or less. The CEOs of industrial companies have a longer average tenure than their counterparts in nonindustrial organizations. The average (mean) period an executive has been CEO of an industrial company is 8.6 years as compared to the 6.8-year average found for leaders of service organizations. Almost 30 percent of CEOs of industrial corporations have served in that office for 11 or more years. In contrast, only 17 percent of the top officers of nonindustrial companies have held their current positions for a comparable period.

"Most chief executives with whom I have been acquainted over the years have a basic sense of loyalty which has resulted in their staying with their company and eventually achieving that position. It is only when unusual circumstances occur, which either dislodges them from within or attracts them from without, that a move is made."

George T. Scharffenberger
Chairman
City Investing Company

YEARS AS CHIEF EXECUTIVE WITH PRESENT COMPANY

	Total	Industrial	Nonindustrial
1–2	17%	16%	19%
3–4	15	14	17
5–6	16	13	20
7–8	16	17	14
9–10	12	11	13
11–15	14	16	12
16–20	6	7	3
21 or more	4	6	2

The CEOs allocate the largest segment of their time to long-range planning and policy-setting.

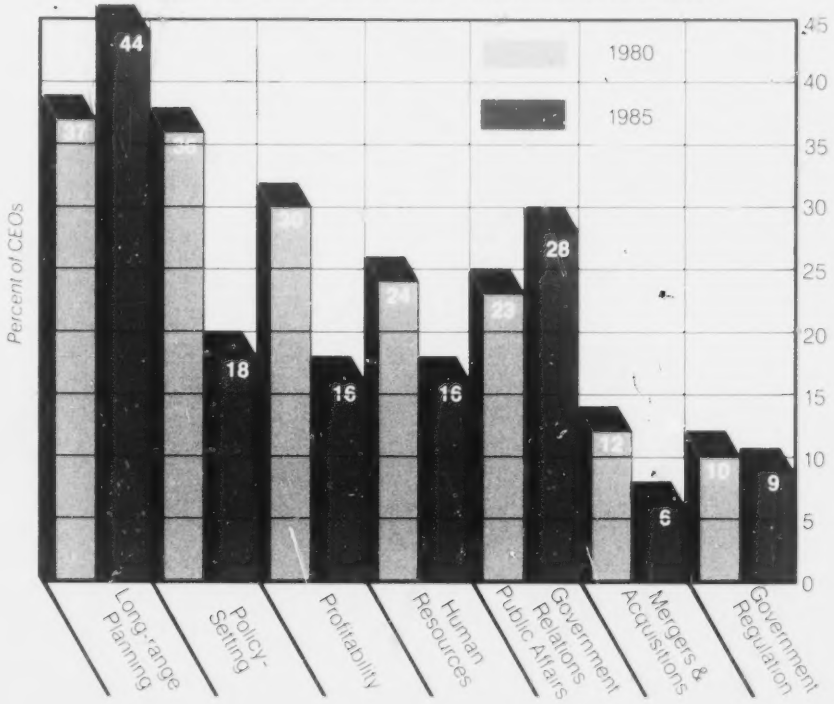
Chief executives indicated that long-range planning and policy-setting, almost equally, require the heaviest commitments of their time. Other responsibilities characterized as especially demanding were profitability, human resource management, and government relations and public affairs. When asked about the single area that required the largest portion of the CEO's time, most of them chose to identify two or more areas.

Those same areas of responsibility were selected most frequently as the anticipated priorities five years from now. In particular, long-range planning could prove to be a key concern in 1985; almost half of the CEOs predicted that area would be the most time-consuming. Government relations and public affairs was chosen as prospectively the second most demanding area by 1985. Policy-setting, the responsibility selected with long-range planning as currently the most demanding, dropped into third place in projected time allocations for 1985. Chief executives expect profitability and human resources to remain high priorities in five years.

"...the CEO of a large company must have a vital interest and real participation in current operations of his company while simultaneously planning for long-term growth. The tendency to think that most of the emphasis must be on planning can lead to most unwelcome operating surprises that can suddenly consume the full time of the CEO."

Rand V. Araskog
President
International Telephone
and Telegraph Corporation

FUNCTIONS PERCEIVED AS MOST TIME CONSUMING

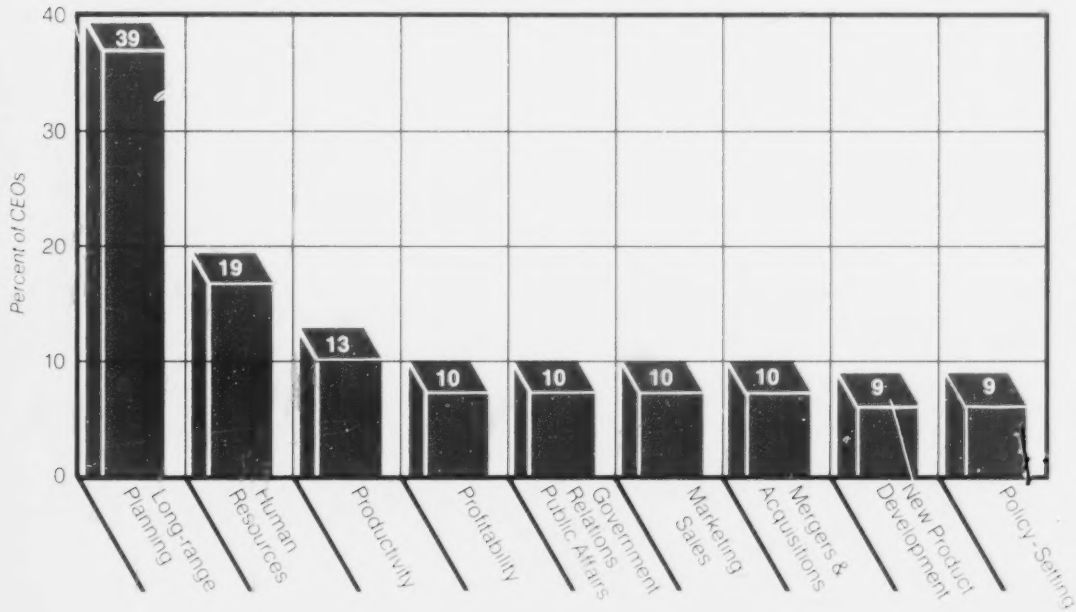


Many CEOs wish they had even more time for long-range planning and human resource management.

Long-range planning, now described as the most demanding aspect of the office, is expected to remain so in the next five years, and the typical chief executive wishes even more time could be allocated to planning corporate strategy. Human resources was second among the functions perceived as needing more time. About 36 percent of the CEOs say policy-setting requires most of their time, yet only 9 percent wish they could devote more time to this function. While some 10 percent of the chief executives would like to spend more time on government relations and public affairs, only 1 percent wish they had more time to devote to government regulation. Most CEOs indicate, in effect, that these responsibilities demand a lot of attention now, but seem to need little or no additional time commitment in the future.

Chief executives see two areas, productivity and new product development, as requiring additional time. About 13 percent wish more of their time could be applied to productivity efforts, and 9 percent would like to spend more time on new product development.

FUNCTIONS PERCEIVED AS REQUIRING MORE TIME



"Managing the business successfully means that both the long- and short-term decision-making processes are inextricably linked."

Paul Thayer
Chairman
LTV Corporation

SENIOR EXECUTIVES WITH HIGHEST 1979 COMPENSATION*

Name, Title, and Company	Salary + Bonus	Long-term Income	Total
		(Thousands of Dollars)	
Frank E. Rosenfelt, *president & CEO* Metro-Goldwyn-Mayer	$ 194	[illegible]	$5,083
Rawleigh Warner, Jr., *chairman & CEO* Mobil	902	[illegible]	4,313
Richard W. Vieser, *executive vice president* McGraw-Edison	76	[illegible]	2,635
Barrie K. Brunet, *executive vice president* Metro-Goldwyn-Mayer	121	[illegible]	2,451
Paul P. Woolard, *senior executive vice president* Revlon	630	[illegible]	2,368
Michel C. Bergerac, *chairman, president, & CEO* Revlon	900	[illegible]	2,339
William P. Tavoulareas, *president* Mobil	770	[illegible]	2,313
R.M. Holliday, *chairman & CEO* Hughes Tool	286	[illegible]	2,124
Sidney J. Sheinberg, *president* MCA	330	[illegible]	1,984
James M. Beggs, *executive vice president* General Dynamics	320	[illegible]	1,975
J. Robert Fluor, *chairman & CEO* Fluor	638	[illegible]	1,784
E. Cardon Walker, *president & CEO* Walt Disney Productions	245	[illegible]	1,521[1]
T.F. Bradshaw, *president* Atlantic Richfield	524	[illegible]	1,516
Edward B. Walker, III, *executive vice president* Gulf Oil	425	[illegible]	1,492
Thomas D. Barrow, *chairman & CEO* Kennecott Copper	834	[illegible]	1,309
Jesse I. Aweida, *chairman, president & CEO* Storage Technology	$ 500	[illegible]	1,296
Willard F. Rockwell, Jr., *chairman*[2] Rockwell International	578	[illegible]	1,270
Lee A. Iacocca, *chairman & CEO*[3] Chrysler	1,266	—	1,266

*This table provides a comparison among CEOs and other top executives.

1 Includes about $1.2 million received under investment participation incentive program.

2 Retired April 1, 1979.

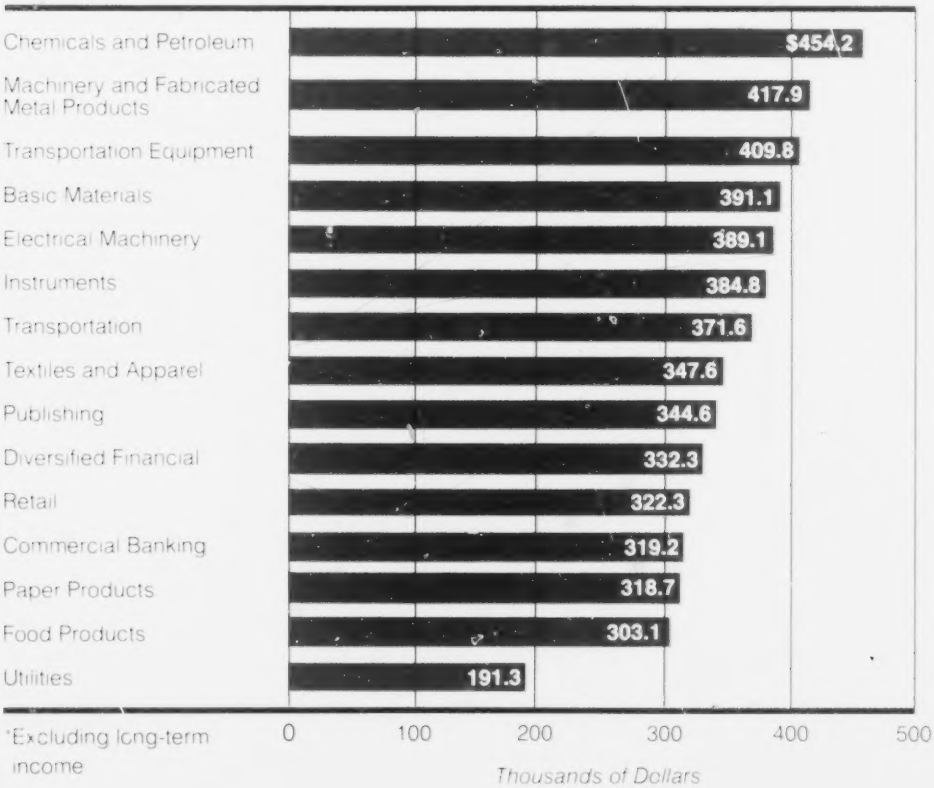
3 Includes accrued portion of $1.5 million awarded upon employment.

The highest-paid chief executives are earning over $2 million a year, including long-term income. Total salary plus bonus average $371,000.

The highest-paid CEO in 1979 was Frank E. Rosenfelt, chairman of Metro-Goldwyn-Mayer, with $5,063,000 in total compensation, including long-term income. Seven other executives, most of whom were not CEOs, earned in excess of $2 million (see table). Long-term income was mainly stock options and stock appreciation rights.

Lee A. Iacocca, chairman of Chrysler and the only automotive executive on the list, earned $1,266,000 in salary and bonus in 1979, but only because of a $1,000,000 partial reimbursement of benefits that he lost when he left Ford. He will receive the remaining reimbursement from Chrysler—$500,000—this year. His actual salary for 1980 and 1981 will be $1 per year.

1979 AVERAGE TOTAL COMPENSATION BY INDUSTRY *



*Excluding long-term income

Total compensation included base salary and any bonus paid to the executive that year.

Industrial companies tended to pay their chief executives more than nonindustrial companies. CEOs of industrial companies averaged $397,200 compared to $310,000 for their counterparts in the nonindustrial sector.

Chief executives in the chemicals and petroleum category had the highest average compensation of any component of the industrial sector at $454,200. In contrast, CEOs of food producing companies had the lowest average compensation in that industrial sector at $303,100.

Transportation CEOs had higher average compensation than did executives in any other part of the nonindustrial sector at $371,600. Conversely, utility CEOs had the lowest average total compensation in that nonindustrial sector at $191,300.

In 1950, 23 percent of the chairmen and presidents of 428 large U.S. corporations earned $50,000 or less in salary plus bonus; only 6 percent earned $200,000 or more. The median for chief executives in the top 800 companies during 1975 was $209,000.[14]

Almost 90 percent of the CEOs serve on at least one other corporate board and 12 percent serve on five to eight.

NUMBER OF OUTSIDE CORPORATE BOARD MEMBERSHIPS

	Total	Industrial	Nonindustrial
0	12%	14%	10%
1	25	23	26
2	22	18	26
3	16	17	16
4	13	15	12
5	7	8	6
6 or more	5	5	4

Mean 2.4
Median 2.0

Less than 1 percent of the chief executives are not now members of the boards of directors of the companies they serve. And only 3 percent of them are precluded by company policy from serving on other corporate boards.

The typical chief executive is a director of two or three other corporations. Although 12 percent of CEOs have no outside corporate directorships, 63 percent of them serve on one to three other boards. Another 20 percent are members of four or five boards.

Likewise, in earlier years, presidents and chairmen of large companies frequently served on at least one outside corporate board: In 1900, it was 56 percent; in 1925, 69 percent; in 1950, 73 percent.[15]

Over 92 percent serve on one or more nonprofit boards, and 46 percent serve on at least four.

The median number of nonprofit board memberships is three. Just under half of the CEOs serve on one to three nonprofit boards. Another 26 percent serve on four or five nonprofit boards, and 20 percent serve on six or seven such boards. Slightly higher participation in nonprofit boards was reported by CEOs of service organizations. They typically serve on four to five such boards as compared to an average participation on three to four boards among industrial CEOs.

NUMBER OF NONPROFIT BOARD MEMBERSHIPS

	Total	Industrial	Nonindustrial
0	8%	9%	7%
1	10	13	7
2	18	22	15
3	18	16	19
4	17	17	16
5	9	6	12
6 or more	20	17	24

Mean 3.8
Median 3.0

"Our company, like many others, needs to recruit outside director members of our Board.... We are always encouraging our executives to serve on nonprofit boards."

William S. Fishman
Chairman
ARA Services, Inc.

"Another less quantitative survey would almost certainly demonstrate that men and women without MBAs have achieved equivalent success with enough frequency to be statistically credible and that a few dozen business schools have produced or will produce business leaders of a caliber at least equal to those authored by Harvard, Stanford and Wharton."

Daniel T. Carroll
President
Hoover Universal, Inc.

"We find that a strong master's degree in business or management is particularly helpful for those assigned to financial analysis and business planning."

Robert A. Charpie
President
Cabot Corporation

Most of the chief executives rate MBAs ahead of other employees, but 40 percent say they are about the same.

Only 2 percent of chief executives assess the contributions of employees with the MBA degree below that of the non-MBAs. But fully 40 percent of CEOs regard the contributions of MBAs and non-MBAs as about the same. The remainder, 58 percent, find the contributions of employees with the MBA to be superior. The CEOs of service organizations generally place a higher value on MBAs. Twice as many non-industrial CEOs, or 65 percent, consider the MBA contribution superior compared to 33 percent who consider the contribution essentially equal. In contrast, chief executives of industrial corporations are almost equally divided in their assessment of MBA holders: 50 percent think MBAs are better than non-MBAs as compared to 47 percent who think they are about the same.

Harvard leads other universities by a wide margin in CEO evaluations as a source of MBA talent. Stanford, Wharton, Dartmouth, and Michigan follow.

The chief executives were given a list of 26 prominent graduate business schools, with spaces to add three more, and asked to rate three institutions as sources of talent for their own companies. Harvard was most frequently designated first choice of the CEOs; it was chosen first by 33 percent of the CEOs. The institution ranked first by the next largest group, 18 percent, was Stanford. Other schools receiving at least 5 percent of the first rankings were, in descending order, Wharton (Pennsylvania), Michigan, and Tuck (Dartmouth).

Considering the favorable mention of schools, regardless of specific rankings, Harvard was again assessed most highly — 69 percent of the CEOs indicated it as a valuable source of talent. Stanford was ranked by 43 percent, and Wharton by 36 percent. The only other institutions to be rated by at least 15 percent were Chicago and Sloan (M.I.T.).

Most schools were appraised comparably by the CEOs of industrial companies and service organizations. The few exceptions included Carnegie-Mellon and Sloan, which were viewed more favorably by industrial CEOs, and Wharton, which was evaluated more favorably by the non-industrial chief executives. For example, Carnegie-Mellon was ranked by 10 percent of industrial chief executives, but by no service CEOs. Sloan was highly regarded by 23 percent of the industrial CEOs as compared to 10 percent of the service CEOs. Wharton was favorably rated by 43 percent of the leaders of service organizations as compared to 29 percent of the industrial leaders.

BUSINESS SCHOOL ASSESSMENTS

	Percent of CEOs Ranking School First	Percent of CEOs Ranking School in The Top Three
HARVARD	33%	69%
STANFORD	18	43
PENNSYLVANIA (Wharton)	7	36
MICHIGAN	5	11
DARTMOUTH (Tuck)	5	10
CHICAGO	4	17
TEXAS	4	6
NORTHWESTERN	3	12
M.I.T. (Sloan)	3	17
PURDUE	2	8
COLUMBIA	1	7

"The importance of key executive talent to the execution of our business strategies caused us to take major initiatives throughout the company to drive management succession and development planning down to all management levels in the Rockwell organization. Today, succession planning is the backbone of our overall management development efforts and is as much a part of our management process and as rigorously attended to as our financial and strategic planning systems."

Robert Anderson
Chairman
Rockwell International Corporation

Nearly two-thirds of the chief executives serve without a probable successor designated, and most companies have no formal succession plan for senior management.

Chief executives of the 800 largest enterprises typically do not have an heir-apparent. Just over one-third report that their probable successor has been chosen. Moreover, most companies do not have a formal plan for executive succession at the senior management level.

Among 42 percent of companies with a formal executive succession plan, the responsibility for approving succession is most often vested in the board of directors. This is true in 63 percent of the companies with plans. The chief executive has the authority in 34 percent of companies. Board committees are less likely to hold such responsibility, and in only 6 percent of the companies with plans is the board chairman responsible for approving the plan. In some cases, there is joint responsibility, as reflected in the percentages.

Most of the chief executives expect their successors to come from a general management background, but many also mentioned finance and marketing.

The chief executives were asked to identify the functional areas from which their successors would be chosen. About 65 percent chose general management as the most likely area. Marketing and sales, finance, and operations were ranked first by 11 percent, 10 percent, and 8 percent of CEOs, respectively.

The same four functional areas received the majority of mentions as career paths of the next CEO, when totaling all responses rather than the number of first rankings. General management was mentioned by almost 80 percent. The other functional areas listed in descending order were finance, 40 percent; marketing and sales, 32 percent; and operations, 23 percent.

Comparing the CEOs' responses to their own career paths, general management has produced the largest number of top executives and was likewise favored as the likely route for successors. However, while only 6 percent of the 800 CEOs have come up through the marketing route, 11 percent of them ranked marketing as the specialty most likely to produce their successors, and almost one-third indicated that area as a possibility.

Other functions are declining in importance as a source of chief executives. Both law and technical specialties are illustrative. Some 12 percent of current chief executives have backgrounds in law and another 11 percent come from technical areas, including engineering. Yet the CEOs did not see either specialty as likely to produce their successors. Only 4 percent indicated either law or science as the most likely route to the top.

In summary, about 35 percent of chief executives believed their successors will come from the same functional area as they did. Given three choices, only 48 percent mentioned their own career path as a likely possibility for a successor to travel.

PROBABLE CAREER PATH OF SUCCESSOR

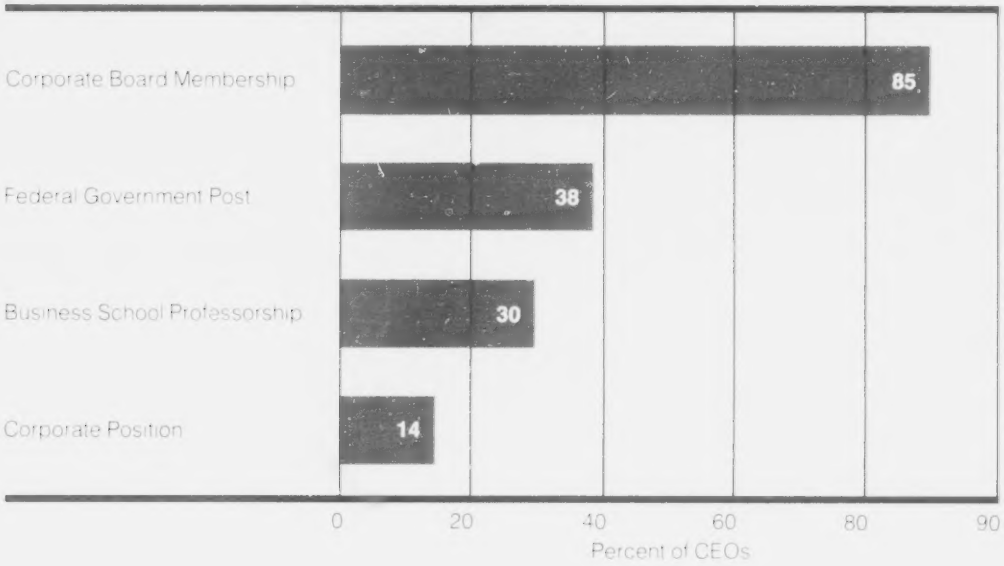
	Percent of CEOs Ranking Specialty As Most Likely*	Percent of CEOs Mentioning Specialty As Likely*
General Management	65%	78%
Marketing & Sales	11	32
Finance	10	40
Operations	8	23
Law	2	10
Technology	2	6
Personnel & Other	2	4

*Does not add to 100% due to multiple responses.

"The lack of a clearly enunciated plan of succession does not mean that succession is ignored. Any competent chief executive is continually thinking about who should be a successor and should be regularly discussing his feelings with the board."

Orin E. Atkins
Chairman
Ashland Oil, Inc.

POSSIBLE ALTERNATIVE ACTIVITIES BEFORE RETIREMENT



Some 85 percent of the chief executives are ready for another board assignment. Many would consider a position in government or teaching. Few want another corporate job.

In addition to analyzing the composite position description of today's chief executive, AY ERC queried CEOs about their goals and future interests. The vast majority, 85 percent, would consider membership on another corporate board. This is a significant percentage in view of the directorship commitments previously reported: only 12 percent do not now serve on outside boards, and some 63 percent serve on two or more corporate boards. Almost two-fifths would consider accepting a federal government post at the Cabinet or sub-Cabinet level. About 30 percent of the chief executives would consider an academic post such as a business school professorship. Just a few, 14 percent, expressed a possible interest in serving a substantially larger company offering greater challenge and growth.

"The only new leadership groups to emerge [in this century] are managers, managers of business enterprise and of universities, of government agencies and of hospitals. They command the resources of society. But they also command the competence. It is, therefore, only logical that they are expected to take the leadership role and take responsibility for major social problems and major social issues."

Peter F. Drucker in
Management: Tasks, Responsibilities, Practices

CONCLUSIONS

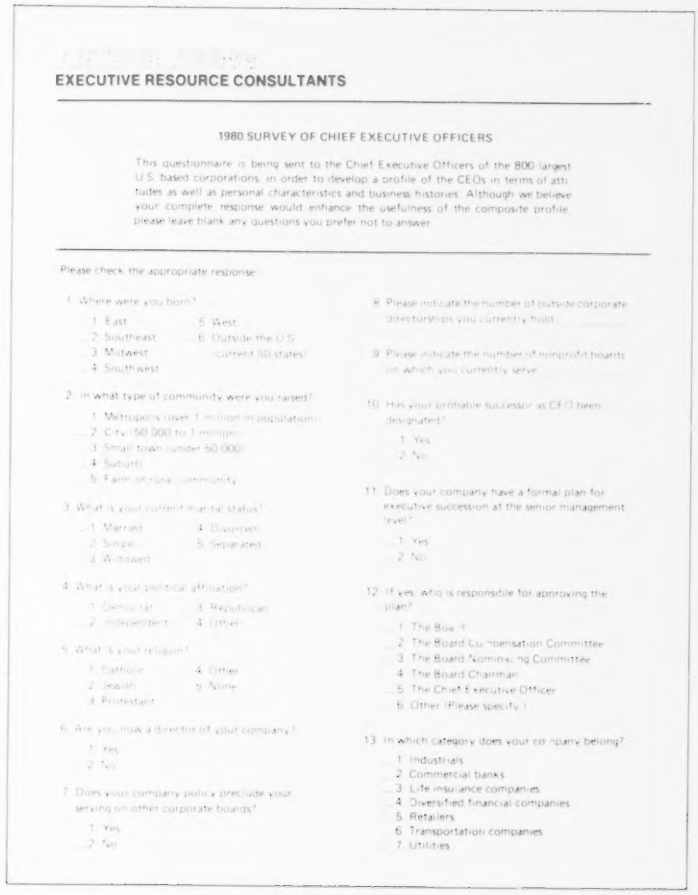
In background and experience, the chief executives as a group have changed relatively little in recent years and only gradually from one generation to another. Their attitudes and opinions have been the subject of only occasional and fragmentary study until recently. In this respect, there is still much to be learned. Development of new information in such areas as succession planning practices, alternative career interests, and appraisals of MBAs is a step in that direction.

The broader contribution of chief executives to their communities is apparent in their heavy commitments to nonprofit boards. Meanwhile, they expect time allocations in their jobs to shift somewhat in future years, with a need to devote more time to emerging issues and activities such as productivity and new product development.

Looking at managerial talent for the future, most CEOs express definite opinions about the comparative effectiveness of graduate business schools. Evaluations by these prime end-users of MBA talent will supplement the assessments previously provided by business school deans. A large minority of chief executives are skeptical about MBAs as superior contributors to their companies. Yet many would themselves consider a position in business school teaching before retirement.

There is major new evidence of the attraction that outside corporate boards and public service hold for today's chief executives. The vast majority of CEOs are prepared to broaden their exposure outside their own organizations by serving on additional boards and in government posts. Yet, while expressing interest in outside boards and public service, very few of the CEOs say they would be interested in moving to larger, more challenging corporations.

Copy of the AY ERC questionnaire answered by the chief executives.



EXECUTIVE RESOURCE CONSULTANTS

1980 SURVEY OF CHIEF EXECUTIVE OFFICERS

This questionnaire is being sent to the Chief Executive Officers of the 800 largest U.S. based corporations, in order to develop a profile of the CEOs in terms of attitudes as well as personal characteristics and business histories. Although we believe your complete response would enhance the usefulness of the composite profile, please leave blank any questions you prefer not to answer.

Please check the appropriate response:

1. Where were you born?
   1. East
   2. Southeast
   3. Midwest
   4. Southwest
   5. West
   6. Outside the U.S. (current 50 states)

2. In what type of community were you raised?
   1. Metropolis (over 1 million in population)
   2. City (50,000 to 1 million)
   3. Small town (under 50,000)
   4. Suburb
   5. Farm or rural community

3. What is your current marital status?
   1. Married
   2. Single
   3. Widowed
   4. Divorced
   5. Separated

4. What is your political affiliation?
   1. Democrat
   2. Independent
   3. Republican
   4. Other

5. What is your religion?
   1. Catholic
   2. Jewish
   3. Protestant
   4. Other
   5. None

6. Are you now a director of your company?
   1. Yes
   2. No

7. Does your company policy preclude your serving on other corporate boards?
   1. Yes
   2. No

8. Please indicate the number of outside corporate directorships you currently hold: _____

9. Please indicate the number of nonprofit boards on which you currently serve: _____

10. Has your probable successor as CEO been designated?
    1. Yes
    2. No

11. Does your company have a formal plan for executive succession at the senior management level?
    1. Yes
    2. No

12. If yes, who is responsible for approving the plan?
    1. The Board
    2. The Board Compensation Committee
    3. The Board Nominating Committee
    4. The Board Chairman
    5. The Chief Executive Officer
    6. Other (Please specify.)

13. In which category does your company belong?
    1. Industrials
    2. Commercial banks
    3. Life insurance companies
    4. Diversified financial companies
    5. Retailers
    6. Transportation companies
    7. Utilities

NOTES

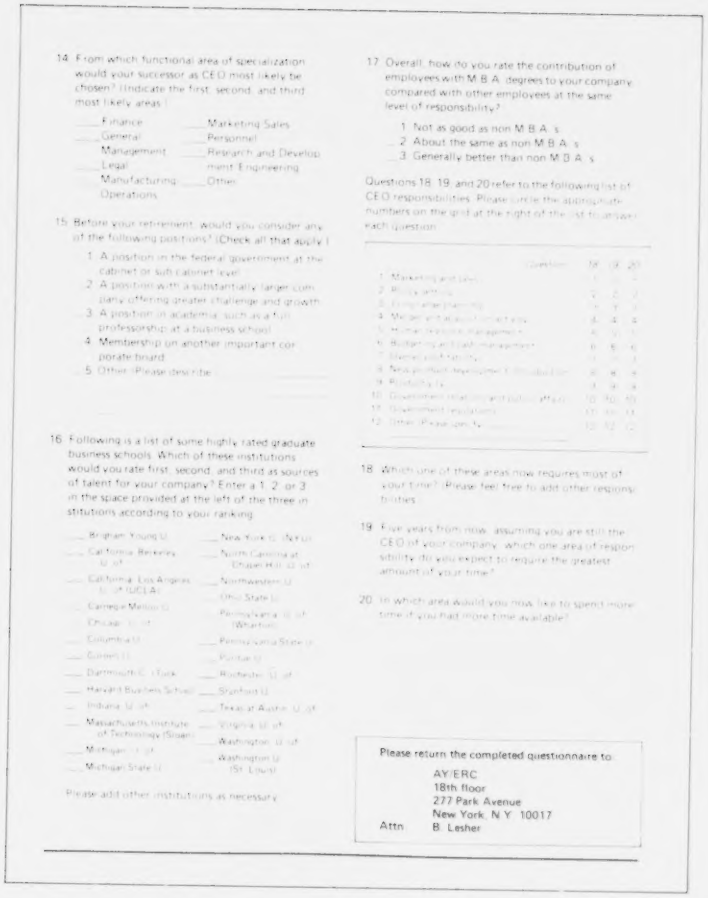
1.
For a penetrating analysis of "followership" as it relates to the leader's role, see James MacGregor Burns, *Leadership*, Harper & Row, 1978, especially pp. 18-23.

2.
Mabel Newcomer, *The Big Business Executive: The Factors That Made Him, 1900-1950*, Columbia University Press, 1955. Charles C. Burck, "A Group Profile of the Fortune 500 Chief Executives," *Fortune*, May 1976.

The Newcomer study is a seminal work, written by the chairman of the Department of Economics, Sociology, and Anthropology at Vassar College, and based on executive groupings similar to the *Fortune* 800. Burck's survey was the first to be based exclusively on the 800 chief executives (despite its title).

3.
Burck, pp. 172, 176. Newcomer, pp. 111-112, 117-120, 138-139, 150.

4.
Burck, p. 174. Also compare Newcomer, pp. 59-60.



14. From which functional area of specialization would your successor as CEO most likely be chosen? (Indicate the first, second, and third most likely areas.)

____Finance
____General Management
____Legal
____Manufacturing Operations
____Marketing/Sales
____Personnel
____Research and Development/Engineering
____Other

15. Before your retirement, would you consider any of the following positions? (Check all that apply.)

1. A position in the federal government at the cabinet or sub-cabinet level
2. A position with a substantially larger company offering greater challenge and growth
3. A position in academia, such as a full professorship at a business school
4. Membership on another important corporate board
5. Other (Please describe)

16. Following is a list of some highly rated graduate business schools. Which of these institutions would you rate first, second, and third as sources of talent for your company? Enter a 1, 2, or 3 in the space provided at the left of the three institutions according to your ranking.

____Brigham Young U.
____California, Berkeley, U. of
____California, Los Angeles, U. of (UCLA)
____Carnegie-Mellon U.
____Chicago, U. of
____Columbia U.
____Cornell U.
____Dartmouth (C.) (Tuck)
____Harvard Business School
____Indiana U. of
____Massachusetts Institute of Technology (Sloan)
____Michigan, U. of
____Michigan State U.
____New York U. (N.Y.U.)
____North Carolina at Chapel Hill, U. of
____Northwestern U.
____Ohio State U.
____Pennsylvania, U. of (Wharton)
____Pennsylvania State U.
____Purdue U.
____Rochester, U. of
____Stanford U.
____Texas at Austin, U. of
____Virginia, U. of
____Washington, U. of
____Washington U. (St. Louis)

Please add other institutions as necessary.

17. Overall, how do you rate the contribution of employees with M.B.A. degrees to your company compared with other employees at the same level of responsibility?

1. Not as good as non-M.B.A.'s
2. About the same as non-M.B.A.'s
3. Generally better than non-M.B.A.'s

Questions 18, 19, and 20 refer to the following list of CEO responsibilities. Please circle the appropriate numbers on the grid at the right of the list for each question.

Question	18	19	20
1. Marketing and sales	1	1	1
2. Public affairs	2	2	2
3. Long-range planning	3	3	3
4. Management development	4	4	4
5. Human resource management	5	5	5
6. Budgeting and cash management	6	6	6
7. Stockholder relations	7	7	7
8. New product development / introduction	8	8	8
9. Productivity	9	9	9
10. Government relations and public affairs	10	10	10
11. Government regulations	11	11	11
12. Other (Please specify) _____	12	12	12

18. Which one of these areas now requires most of your time? (Please feel free to add other responsibilities.)

19. Five years from now, assuming you are still the CEO of your company, which one area of responsibility do you expect to require the greatest amount of your time?

20. In which area would you now like to spend more time if you had more time available?

Please return the completed questionnaire to:

AY/ERC
18th floor
277 Park Avenue
New York, N.Y. 10017
Attn: B. Lesher

5.
Louis E. Boone and James C. Johnson, "Profiles of the 800 Men and 1 Woman at the Top," *Management Horizons*, February, 1980, p. 50.

6.
Burck, p. 175. Newcomer, pp. 46-48.

7.
For 1900 to 1976 data, see Burck, pp. 176-177 and Newcomer, pp. 49-51.

8.
Burck, pp. 172-174. Newcomer, pp. 52-64.

9.
Newcomer, p. 74.

10.
Of those institutions founded after 1885, only Chicago provided a substantial number of CEOs — 1.8 percent of the total.

11.
Newcomer, pp. 74-75.

12.
Burck, pp. 176-177.

13.
Newcomer, p. 96.

14.
Newcomer, p. 124. Burck, p. 172.

15.
Newcomer, p. 39.

Grateful acknowledgement is made to:

Harper & Row, Publishers, Inc.
Management: Tasks, Responsibilities, Practices
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Leadership
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1978

The Conference Board
Politics and the Corporate Chief Executive
David G. Moore
1980

Cover: Crystal eagle head by Lalique